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NATIONAL INTELLIGENCE ESTIMATE

Cuba's Changing International Role

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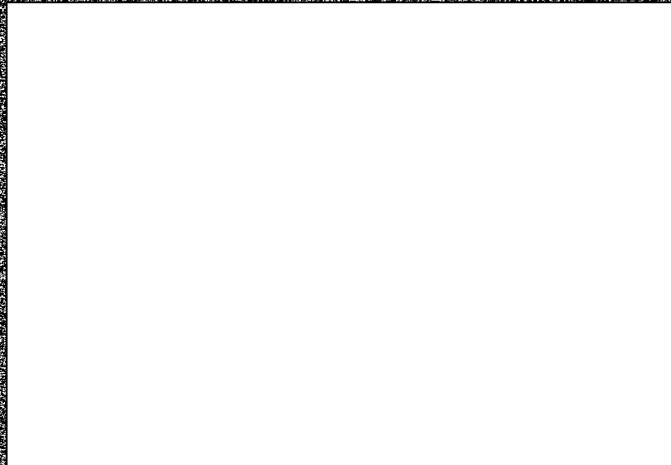
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CUBA'S CHANGING INTERNATIONAL ROLE

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THE UNITED STATES INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT, AS FOLLOWS:

The following intelligence organizations participated in the preparation of the estimate:

The Central Intelligence Agency, the intelligence organizations of the Departments of State, Defense, and Treasury, and the National Security Agency.

Concurring:

The Deputy Director of Central Intelligence representing the Central Intelligence Agency

The Director of Intelligence and Research representing the Department of State

The Director, Defense Intelligence Agency

The Director, National Security Agency

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The Deputy Assistant Administrator for National Security, Energy Research and Development Administration

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The Assistant Director, Federal Bureau of Investigation

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

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CONTENTS

	Page
PRECIS	1
DISCUSSION	4
THE REVOLUTION MATURES	4
THE PRINCIPAL GOALS OF CUBAN FOREIGN POLICY	7
Cuba and the Third World	7
Cuba and Latin America	8
Cuba and the USSR	9
Cuba and the US	10
The US Sanctions	11
Compensation	12
OUTLOOK FOR US-CUBA RELATIONS	13
ANNEX: The Cuban Economy	17

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CUBA'S CHANGING INTERNATIONAL ROLE

PRECIS

During the last five years, Fidel Castro has wrought dramatic changes in national plans, priorities, and methods of governing Cuba. As a result:

- His Revolution has become more institutionalized, with the Communist Party assuming an expanding policy-making role.
- Economic conditions are better than at any time since 1959; however, the economy has recently benefited from exceptionally high sugar prices and remains heavily dependent on Soviet trade and assistance.
- A new governing consensus has emerged which better relates policy and its implementation to current Cuban needs.
- Castro's power and popularity have increased.

These accomplishments—combined with Castro's view that the world power alignment is changing in favor of the Socialist bloc—seem to have persuaded him that the Revolution is secure and successful, and to have reinforced his conviction that Cuba is triumphing over "imperialism."

As a consequence, he has had increasing success in fulfilling the often divergent roles of:

- a leader of the Latin American and Caribbean communities and a spokesman for Third World and revolutionary causes, while remaining a loyal member of the Soviet camp; and

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- an intermediary between Third World and communist countries and a catalyst in forging a greater convergence of interests among them.

Castro desires a normalization of relations with the US because he believes it will:

- confirm to the world the legitimacy and permanence of his Revolution;
- give him access to US products and markets; and
- facilitate the accomplishment of his foreign policy objectives.

In maneuvering toward normalization, he will weigh the sometimes divergent views of his leading advisers:

- Hardliners support normalization but with serious misgivings; they are likely to urge Castro to take strong positions and to move slowly.
- Pragmatists in the leadership want to secure the economic benefits that they believe would result from a lifting of the sanctions, and would concede the most to reach a settlement soon.

We believe that Castro is ready to enter into preliminary discussions with the US now, but he probably calculates that a negotiated settlement with the US is unlikely soon, and that a protracted process of negotiation would be more to his advantage than to that of the US. We believe that he will not agree to negotiations on substantive issues without further action by the US to lift its sanctions against Cuba. There is a better-than-even chance that a partial reduction in the scope of US sanctions would be enough to lead Castro to engage in substantive negotiations. He would of course expect that one consequence of the negotiations would be the complete lifting of the sanctions, and he might believe that the conduct of negotiations would of itself improve the climate for trade.

Castro will be prepared to make concessions on some issues. He:

- will probably be willing to pay a small percentage of the claims for compensation for expropriated US properties after a great deal of hard bargaining.
- will probably be willing to curtail some of Cuba's activities in behalf of Puerto Rican independence, but Cuba can be expected to continue lending propaganda support to the Puerto Rican independence movement, though increasingly through international front organizations.

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— will be less conciliatory on issues relating to Cuban sovereignty, and is likely to demand a definite commitment by the US to relinquish the naval base at Guantanamo Bay and to terminate overflights.

Castro will be inflexible about negotiating Havana's relationship with the USSR and he will not jeopardize his broader foreign policy objectives in Latin America, the Third World, and the communist camp simply to get quick solution to his bilateral problems with the US. Rather, he hopes that rapprochement will enable him to pursue a more energetic foreign policy in these areas and enhance his prestige as a leading Third World statesman.

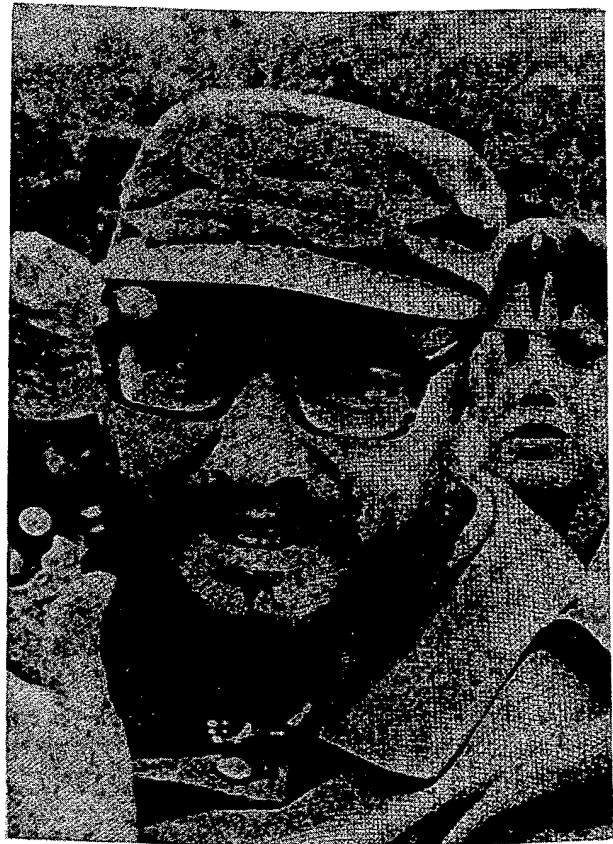
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DISCUSSION

1. The year 1970 represented a watershed in the development of the Cuban Revolution. Following the disastrous effort to produce 10 million tons of sugar in 1969-70, the Cuban economy was in disarray, Castro was at the nadir of his popularity, both at home and abroad, and his ability to maneuver politically was at a low ebb. Responding to these problems and to pressure from Moscow and elements in the Cuban leadership to steer a more flexible course, he set in motion a sweeping reconstitution of the political process. The result was the increasing institutionalization of the Revolution that for years was an extension of Castro's personality, the emergence of a new and more pragmatic governing consensus, and a radical alteration of national plans, priorities, and methods of governing.

THE REVOLUTION MATURES

2. Until a few years ago, Castro was fearful of any institutionalization of the Revolution that might dilute his own authority, and reluctant to delegate powers of decision. He now seems not only reconciled to institutionalization but persuaded that it is essential to perpetuate his Revolution. He has apparently become convinced that complex bureaucracies can easily be controlled in an authoritarian society, particularly by a strong and popular leader. The evidence is that he is indeed in control



Fidel Castro

of the institutionalization process. The larger and more competent apparatus that he is creating to carry out his programs has become an addition to the two traditional bulwarks of his power—the support he receives from the military and security establishment and his popularity with the masses.

3. The restructuring of Cuban institutions largely reflects Castro's acceptance of Soviet advice and bureaucratic models. Responsibility for managing the economy has been delegated by Castro as he has looked outside of the circle of his trusted former guerrilla colleagues for talent. The authority of the party has been greatly expanded and the influence of the military in civilian affairs has been curtailed. The Cuban Communist Party is scheduled to hold its first national congress in December as an important part of this continuing process.

4. During the last year or two, Cuba's domestic and foreign policies have come closer to fulfilling Castro's aspirations than at any time since he rose to power. As a result, Castro's position as Cuba's maximum leader has been considerably enhanced. Better management and planning, combined with the increased productivity of an expanded work force and high world sugar prices, have resulted in better economic conditions than at any time since 1959.¹ Public morale and support of the government have improved as some of the benefits of economic growth have filtered down and as the mass mobilizations, exhortations, and martial atmosphere of earlier years have been increasingly supplanted by efforts to stimulate production through the use of tangible rewards. Rationed goods are more readily available as a result of Cuba's increased capacity to import and improvements in transportation and distribution. Some luxury goods are no longer rationed and are available in greater quantities.

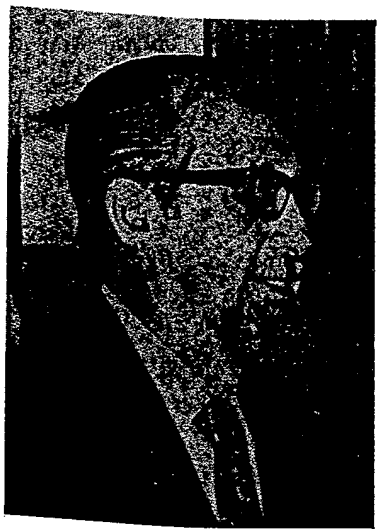
5. Castro has also achieved a number of successes in the international arena. During the past few years he has been transformed from a virtual pariah to a position of increasing acceptance and even respectability. The rising mood of economic nationalism in Latin America and throughout the Third

World and the increasing spirit of solidarity among the less developed nations have worked to Cuba's advantage. These developments, and the defeat of US policy in Indochina, have added to Castro's belief that the US is on the defensive and that the international balance of power has shifted in favor of the communist and Third World countries.

6. Extremists have long since been removed from positions of influence in Cuba and the leadership is more united than ever before. Nonetheless, disagreements among individuals and groups in the hierarchy arise from distinctive generational perspectives, old rivalries, and different opinions about specific aspects of national policy. Castro remains fully in control, but he has increasingly assumed the role of mollifier and arbitrator in a successful effort to minimize factionalism. As one means of balancing the differences and competing interests of groups in the leadership, Castro has moved to compartmentalize administrative and policymaking functions. The remaining "old" communists are concentrated in the fields of foreign policy and economic planning, while Castro's former guerrilla colleagues control the military and security establishment. A new generation of technocrats is increasingly influential in the party and government bureaucracies.

7. Castro's new outlook and methods reflect his acceptance of much of the advice of the "old" communists—members of the pre-revolutionary communist party who survived the purges of the 1960s. Although few in number and aging (many are in their 60s and 70s), they have acquired considerable influence as the architects of the successful domestic and foreign policies that have been pursued during the last few years. They usually are the first in the leadership to reflect Soviet attitudes and to recommend pragmatic solutions for Cuba's problems. They have survived because of their ability to adjust their views and tactics to prevailing circumstances, their administrative and technical competence, and their commitment to Castro and the Revolution. Carlos Rafael Rodriguez, the regime's top foreign policy official and one of its ablest planners and theoreticians, is the leading member of the group and probably the most influential Cuban leader after Castro and his brother, Raul.

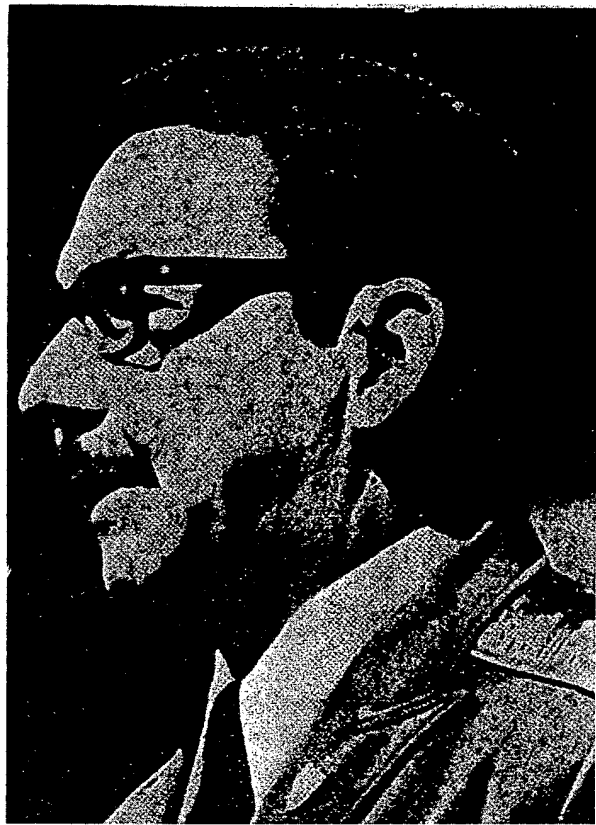
¹ Statistics on the economy and the outlook for economic performance during the next year or two are at Annex.



Carlos Rafael Rodriguez

8. Loyal associates of the Castros from the guerilla period—most of them in their 40s and 50s—occupy all of the principal positions in the military and security forces and will continue to do so. Castro's control over these forces is exercised through his brother, who is the regime's top military chief, its second in command both in the party and the government, and Castro's chosen heir. A number of other guerrilla veterans who have retired from the military continue to exert considerable influence in their civilian positions. Present and former military officers constitute the "hardline" wing of the leadership on most issues. There is probably some discontent within this group, principally because of its reduced influence as a general policymaking elite. The Castros have gone to considerable lengths to neutralize possible discontent, however, and to ensure prior military approval of major policy initiatives. From all appearances, they have been successful.

9. A third elite group—the emerging generation of technocrats—is believed generally to endorse the pragmatic policies of the "old" communists. They have advanced quickly throughout the party and government both because their scientific, technical, and managerial skills are so badly needed and because, as products of the Cuban Revolution, their credentials are unassailable. In their late 20s and



Raul Castro

30s, they have few memories of the pre-revolutionary period. Their knowledge of the outside world was acquired for the most part in the USSR and Eastern Europe where many were trained, particularly those with advanced degrees or skills. Although information about them is scarce at best, we believe that most of the young technocrats are committed to the decentralization and institutionalization that is taking place and to the new policies pursued at home and abroad.

10. The party and government institutions that will emerge from the Communist Party congress this year will reflect Castro's desire to balance the interests of the principal elite groups as well as his goal of creating a more effective bureaucracy. "Old" communists and young technocrats probably will be represented in larger numbers in the regime's top councils, and together they could constitute majorities in many. Carlos Rafael Rodriguez is likely to

be elevated to the Politburo and some of his colleagues, including Blas Roca—the leader of the pre-revolutionary communist party—apparently are slated to gain stature in recognition of their accomplishments. Regardless of how the bureaucracy is staffed, however, Castro's comrades-in-arms from the Sierra Maestra will remain his principal base of support and the most potent political force in Cuba.

11. Buoyed by the increasing coalescence of the Revolution and his enhanced personal power and popularity, Castro has adopted a more relaxed style of leadership. In contrast to the impulsive and exuberant manner that was characteristic through the 1960s, he is now relatively restrained and out of the limelight for lengths of time. His speeches are fewer and shorter, and departing from his earlier spontaneous style of oratory, he often reads from prepared texts or notes. He has less direct contact with the public, and no longer tries to function as a roving ombudsman for the common man. Castro was 49 on August 13, but despite recurring minor pulmonary and intestinal problems, he is in good health.

12. As Castro has matured, he has come to evaluate the state of the Revolution and its standing abroad more rigorously and dispassionately. He is better able to concentrate on immediate priorities rather than his visions of Cuba's distant future and is devoting more attention to the tedious bureaucratic duties required by his party and government posts. His personal sense of security has increased as threats to his rule have diminished and, now that he no longer is continually on the defensive, he seems to have his ego better under control. Arrogant, pugnacious, and boastful conduct has been rare during the last few years, and his behavior and disposition are likely to remain more constant and predictable than in the past. Despite his more subdued style, Castro exudes a degree of confidence and righteousness that is reminiscent of his triumphal mood of the early 1960s.

THE PRINCIPAL GOALS OF CUBAN FOREIGN POLICY

13. During the past year or so, Castro has been better able to fulfill his principal—and often divergent—foreign policy goals: to be a leader of the Latin American and Caribbean communities and a

spokesman for Third World and revolutionary causes, while remaining a loyal member of the Soviet camp. He has gained prestige within Latin America and the Third World even as he has more conspicuously synchronized Cuba's domestic and foreign policies with Moscow's. Thus, although he has more willingly complied with Soviet urgings to loosen his ties with subversive groups advocating armed insurrection, continued to defend the USSR against charges that it is an imperialist power, and even acted as Moscow's surrogate in several countries of the Third World, it is paradoxical that his standing has improved since the period in the late 1960s and early 1970s when he was widely regarded as a Soviet puppet.

14. Castro has succeeded in juggling his diverse foreign policy goals largely because one of the most basic and long-standing assumptions of Cuban foreign policy has been reversed, as the psychology of the "Revolution besieged" has given way to the belief that it is secure and successful. This has enabled Castro to move away from his characteristic role as the aggrieved underdog in continual confrontation with the US and to assume one as a senior Third World statesman who has triumphed over US "imperialism." Because he has been able to play this new role convincingly, he feels less compelled to demonstrate his credentials by fomenting revolution, asserting his independence of Moscow, or jousting with the US.

Cuba and the Third World

15. Castro seems to be looking ahead to an increasingly prestigious role for himself and Cuba. His forceful and optimistic foreign policy increasingly has focused on the wish to act not only as an intermediary between communist and Third World countries, but as a catalyst in forging a greater convergence of interests among them. This goal has been evident in Latin America, where the leaders of regional communist parties who met in Havana in June announced their intention to join with local leftist and revolutionary groups in united fronts aimed at undermining US influence. In orchestrating the conference, Castro was helping to further the Soviet design of strengthening the pro-Moscow parties in the hemisphere, but he also was motivated by the desire to act as an independent broker be-

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tween communist and other leftist interests. This ambition is only a slight variation on a theme that has strongly influenced Castro's thinking since the early 1960s.

16. Castro's ability to play this complex and ambitious role is facilitated, he believes, not only because "imperialism" is in eclipse, but because of Cuba's unique qualifications. One of these is the racial diversity of the Cuban populace and its cultural and linguistic affinities with a number of less developed nations. Also, unlike the leadership elites of virtually all communist and Third World countries, Castro's entourage is composed both of influential members of a traditional pro-Moscow communist party and veterans of a successful guerrilla insurgency. He relies primarily on members of the Rodriguez group to represent Cuba with other communist parties, and on his former comrades-in-arms as emissaries to revolutionary groups and governments. In Portugal and a few other countries, both lines of communication are cultivated simultaneously. Because of these special qualifications, Castro is able to balance the need—urged on him by Moscow—to perform as the USSR's stand-in in certain Third World countries with his fervent desire to maintain his revolutionary image and to enhance his credibility as a bridge between the communist and less developed worlds.

17. The Cubans are active in the Third World, often working closely with the Soviets. The economic, technical, and security assistance that Cuban advisers provide the governments of several countries, including Congo, Equatorial Guinea, Guinea, Guinea Bissau, Sierra Leone, Somalia, and Tanzania, contributes directly to the fulfillment of both Cuban and Soviet objectives. Military advisers from both nations work with the government of South Yemen to train Arab guerrillas, including members of the Popular Front for the Liberation of Oman and members of Palestinian groups. A number of Cubans reportedly also have been assigned to work with the pro-Soviet Popular Movement for the Liberation of Angola.

Cuba and Latin America

18. Castro pursues a more independent line in Latin America and the Caribbean than elsewhere in the Third World. His desire to be a major and repre-

sentative regional leader is so fundamental, in fact, that it has led to his only continuing show of displeasure with Moscow during the last few years. In 1972 he made clear that Cuba was inducted into membership in the Soviet-sponsored CEMA only reluctantly, and he has subsequently rendered only half-hearted support to the organization. Meanwhile, he has publicly expressed his preference for regional economic organizations such as the Latin American Economic System (SELA) and the proposed Central American and Caribbean Shipping Fleet. Havana has emphasized its independent stance in bilateral relations in the region as well. In Peru, the Cubans apparently are continuing to support the pro-government labor movement rather than the pro-Soviet group.

19. Castro has all but eliminated his support for armed insurgency in Latin America, but he continues to maintain contact with some extremist groups. He would probably resume his support for insurgency through such means as propaganda, money, and training if he believed that it had a reasonable chance of succeeding. At the present time, however, he apparently sees no favorable prospects for armed insurgency anywhere in Latin America.

20. Cuban and Soviet objectives and methods in the hemisphere are increasingly compatible, and Moscow now appears satisfied that Castro's aspirations to leadership in the region work to its advantage as well as his. This has been especially true since the meeting of Latin American communist parties in Havana in June when long-standing differences between Castro and the Soviet leadership apparently were resolved. At that meeting the Castro government committed itself not to support groups advocating armed insurrection except in collaboration with the local pro-Moscow communist parties. To create broad leftist fronts, Castro has already begun to urge groups that he once supported in other countries to unite with local communist parties.

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21. In return, the USSR probably has conceded to Castro a considerable degree of freedom in pursuing the current broad front tactics in Latin America and in assuming more of a leadership role in regional communist affairs. Recent reports indicate, for instance, that the USSR plans to transfer to Cuba the school now located in Moscow which trains Latin Americans in Marxism and Soviet organizational techniques. In certain countries—particularly in the Caribbean basin where Soviet influence is marginal and Cuban interest keen—Moscow apparently is deferring to the Cubans. In Guyana, for example, Castro has developed close ties with the Burnham administration and reportedly has advised the communists—the principal opposition party—to subordinate themselves to the government party. Elsewhere in the Caribbean, Castro also seems to have won Soviet backing for his independent efforts to expand Cuban influence with established governments.

22. Castro's commitment to these new means of pursuing his leadership designs in Latin America has been reinforced, moreover, by recent developments and emerging trends in the region. The legitimacy and permanence of the Cuban Revolution has been widely acknowledged as a result of the recent OAS decision in Costa Rica to end mandatory sanctions against Cuba and the willingness of an increasing number of governments to establish formal relations with Havana. Castro also has been encouraged by the nationalistic attitudes of many governments—particularly those in Venezuela, Peru, Panama, Mexico, and the Commonwealth Caribbean nations—and by their increasing desire to work together and with Havana. Cuba has, for example, broadened its ties with Panama since the resumption of diplomatic relations in August 1974

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Castro's personal respectability has been greatly enhanced, moreover, as the list of Latin American chiefs of state and other senior officials to visit Cuba has grown, and as some Caribbean leaders have attempted to adapt certain Cuban programs and policies to their countries.

23. As Cuban interest and influence in the Caribbean have mounted, Havana has greatly expanded its efforts—carried out sporadically since the

earliest days of the Revolution—to promote independence for Puerto Rico. Over the past year or so the issue has been pressed with unprecedented intensity at the UN and other international forums. Havana was the site of an international conference in early September to generate support for that cause, and top Cuban officials increasingly have become identified with it. In the keynote address at the Havana meeting, President Dorticos reasserted Cuba's long-standing position that Puerto Rico "is a Latin American nation subjugated to colonial domination and is not a domestic problem of the US." On September 28 Castro lent the weight of his prestige to the issue. In remarks apparently intended as a response to what he labeled "strong statements" by US officials, he implied that Cuban solidarity with the cause of Puerto Rican independence is a matter of principle and that it will not be renounced in order to improve relations with the US.

24. It is difficult to understand why Castro has been pushing the Puerto Rican issue. He probably has few illusions about the vitality of the Puerto Rican independence movement, and he could not have failed to recognize that Cuba's stance would affect the prospects for normalizing relations with the US. A possible explanation is that he contemplated using the Puerto Rican issue as a bargaining chip in dealing with the US. In addition, he may have come to believe that he could generate substantial support for Puerto Rican independence in Latin America and the Third World, while simultaneously enhancing his image as revolutionary and Third World leader. His conviction that the international balance of power has changed and that US strength and influence are decreasing may have produced a simple miscalculation of his prospects. Whatever his reasons, he clearly did not expect the US reaction to be as strong as it was.

Cuba and the USSR

25. Cuba's political, economic, and military ties with the USSR pervade national life and policy more than ever before. The domestic and foreign policies of the Castro government reflect broad acquiescence in Soviet tutelage, and Castro is likely to consent to an even wider range of cooperation during the next year or two. In recent months Havana has gone to some unusual lengths to dem-

onstrate its affinity for Moscow: it ostentatiously supported Moscow's position in the Sino-Soviet polemic at the recent meeting of Latin American communist parties in Havana, Cuban spokesmen and the media went to extremes in praising the Soviet role in World War II on the recent anniversary of the war's end, and the preamble of the draft Cuban constitution now under consideration contains a laudatory reference to the USSR. These gestures probably were intended emphatically to reaffirm Cuban-Soviet solidarity as Havana maneuvers toward reconciliation with the US.

26. The USSR continues to underwrite the Cuban economy on a substantial scale. Direct Soviet economic assistance totaled about \$275 million in 1974, bringing Soviet balance-of-payments and development aid to some \$4.4 billion since 1961. In addition, Moscow has paid over \$800 million in premium prices for Cuban sugar during this period. It provides nearly all of the island's petroleum needs at less than half the world price, and has subsidized Cuban petroleum purchases to the tune of \$375 million since the rise in world oil prices in 1974. Moscow remains Cuba's principal trading partner, accounting last year for about two fifths of its total trade and about 50 percent of total Cuban imports. Another strong indication of the Soviet commitment is the presence of from 5,000 to 8,000 Soviet civilian advisers and technicians situated throughout the Cuban bureaucracy.

27. The Cuban military establishment is almost entirely dependent on the USSR. Moscow maintains the defensive capabilities of the Cuban armed forces by replenishing materiel at the modest levels of recent years; in 1974, \$36.5 million worth of military hardware was delivered. There is no evidence that new weapon systems have been introduced, although two SA-3 surface-to-air missile sites have been under construction for over a year and could become operational in short order if the required equipment were supplied. The Soviet naval air force continues to use Havana's Jose Marti Airport three or four times a year as a staging point for its long-range TU-95 aircraft, and Soviet naval combatants periodically call at Cuban ports. No Soviet submarines have participated in the last three visits, and joint naval operations with the Cubans were not held as in earlier years.

28. A Soviet military mission consisting of perhaps 2,000 personnel is permanently stationed in Cuba. Of these, an estimated 1,500 are probably assigned to advise their Cuban counterparts in operating and maintaining Soviet-supplied equipment and in related training activities. They probably are concentrated in those areas where the most advanced technology is used: i.e., the air force, surface-to-air missile system, radar networks, and certain naval units. This contingent is commanded by a Soviet army lieutenant general. Soviet advisers also work closely with Cuba's intelligence services, which were organized with extensive Soviet guidance and training and which collaborate with the Soviets in intelligence operations abroad.

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29. There appears to be little opposition in the Castro government to the extent of Cuba's dependence on the USSR. The Cuban leadership recognizes the enormous contribution of Soviet assistance in supporting the Cuban economy. Most of the "old" communists have had close ties with Soviet leaders since the 1930s; the military cannot function without Soviet largesse; and the young technocrats are believed generally to reflect Soviet attitudes. Some of Castro's former guerrilla colleagues now in civilian jobs probably desire greater independence from Moscow even at the expense of reduced Soviet support, but they are a distinct minority. Castro weighs in strongly with the majority, for domestic political reasons and because he knows that Cuba has no alternative. Most importantly, he believes that he can successfully pursue his leadership goals in Latin America and the Third World while enjoying the benefits of his close association with Moscow.

Cuba and the US

30. Castro has moved to reconcile Cuba's differences with the US, partly in response to pressures from Moscow and the Rodriguez group. He took the first important steps in that direction by concluding an anti-hijacking agreement with the US in February 1973 and by publicly accepting the principle of detente in early 1974. By then he was satisfied that he was in a favorable position because

of the cohesion and strength of his regime, its increasing accomplishments at home and abroad, and his belief that pressures on the US Government to accommodate him were mounting. Following President Nixon's resignation, he became more willing to reconcile bilateral differences and more optimistic about the chances of doing so to his advantage. He continued, nevertheless, to adhere to his standard demand that the US unilaterally lift its economic sanctions against Cuba before he would negotiate the full list of bilateral problems.

31. The Rodriguez group, the leading force advocating normalization of relations with the US, is probably supported by a majority of the new Cuban technocrats. Both groups favor detente to stay in step with Moscow and to secure the economic benefits that they believe would result from trade and access to US markets. Compared to other groups and individuals in the leadership, they probably would concede the most to US demands for compensation for properties seized during the Revolution and would not place heavy weight on the Guantanamo and overflight issues. On the other hand, they would strongly resist any effort to interfere with Cuba's ties with Moscow or any threats to the regime's ideological integrity. Because of the strong position they have taken in favor of detente with the US, leading members of the Rodriguez group must realize that should Castro feel embarrassed or thwarted in his overtures or in future negotiations, they would be the logical scapegoats.

32. Cuba's military leaders apparently also favor reconciling bilateral differences with the US, but with some serious misgivings. They concurred in Castro's public assessment early this year that the "danger of US aggression" had diminished greatly. They also realize that their goals of regaining Guantanamo and ending US reconnaissance flights can only be achieved in the context of a general rapprochement.

33. At the same time, many present and former military leaders are concerned about the possible effects of detente, and they will insist on playing an important role in any bilateral negotiations in order to protect their interests. They particularly fear that cultural and ideological influences from the US could "corrupt" Cuban youth and have

undertaken a national campaign aimed at preventing such "diversionism." Because of the relatively austere line they take on social and economic issues, they probably attach less importance to any economic advantages that would accrue to Cuba. Although there is no evidence on the point, they may also worry that once Cuba and the US come to terms, the importance of their country and its military needs will recede in the Soviet view. They probably prefer that rapprochement proceed slowly, and probably are counseling Castro to hold fast to his position that Cuba will not enter formal talks until the US sanctions are lifted unilaterally. Raul Castro's opinion on these issues is not known, but as the originator of the campaign against "ideological diversionism" he must share some of the concerns of his top lieutenants.

34. Castro's motives for seeking a reconciliation, the weights he places on the issues, and the timetable and tactics he will pursue are likely to continue reflecting his desire to balance the views of his principal advisers. Like the Rodriguez group, he wants to see the US embargo terminated so that Cuba can gain access to US goods and markets. Reflecting the attitudes of many of his military commanders, he will seek to protect and enhance Cuba's sovereignty. He wants the Guantanamo naval base back, the reconnaissance flights ended, and the security that would result from the acceptance of his government by the US. Castro has concluded that by normalizing relations with the US, he can not only enhance the prestige and legitimacy of his regime, but also gain maneuverability to pursue a more active foreign policy elsewhere in the world. He is ready to negotiate outstanding bilateral issues but seems to believe that he can get most of what he wants without conceding too much in return.

The US Sanctions

35. During the last few months, Havana has modified its long-standing demand that the US unilaterally end its embargo on trade with Cuba as a precondition for negotiations. On May 7, while Senator McGovern was in Cuba, foreign journalists reported that Castro repeated the Cuban demand for a unilateral lifting of the US embargo, but suggested that the suspension of restrictions on the export of food and medicine would be enough to permit

negotiations to begin. The official Cuban press release was more ambiguous, quoting Castro as having said only that a partial lifting would be construed by Havana "as an important step that would lead to a reconsideration of Cuba's relations with the US." On August 21, at a press conference held during the visit to Cuba of President Echeverria of Mexico, Castro said that Cuba did not object to establishing contact or to holding talks. The embargo would have to be lifted, however, before there could be "deep negotiations."

36. Cuban insistence on removing the "blockade" is not merely a symbolic stumbling block or a negotiating device, however. The myriad prescriptions that the US executive and legislative branches applied against the Castro government in the early 1960s were used by the regime for 15 years as one of its most powerful and emotional propaganda themes. Resistance to the "blockade" was employed until recently as a basic means of rallying popular support, motivating the armed forces, and justifying the economic hardships endured by many Cubans under Castro. Castro was closely identified with it, and his stubborn insistence that he would "never negotiate while under the pressure of the blockade" has become an integral part of his personal political platform. In the minds of many Cubans, in addition, the "blockade" includes not only the US economic denial program but past covert actions aimed at undermining the government and the economy. Thus, the issue is deeply imbedded in the consciousness of the Revolution and its leadership, and is particularly salient to present and former military leaders. If it were waived during the next year or two without some significant US concession, Castro's prestige with hardliners in the hierarchy might be badly damaged.

37. We believe, however, that the Rodriguez group and the emerging young technocrats in the government view the sanctions dispassionately from an economic planning perspective. The sanctions still impose annoying restraints on certain sectors of the economy and are the bane of the administrators and planners who are required to compensate for them. A significant portion of Cuba's industrial machinery and equipment was manufactured in the US and is extremely difficult to maintain be-

cause of the lack of US spare parts. More significantly, however, these pragmatists in the hierarchy are anxious to see the sanctions ended because they believe that many of the agricultural and industrial goods that Cuba currently acquires in Europe and Japan can be bought more cheaply in the US. In addition, many Cubans have a preference for US goods and probably continue to believe in the superiority of American technology.

38. If the sanctions were lifted, from one quarter to one half of Cuba's imports from non-communist countries—about \$850 million last year and an estimated \$1 billion in 1975—could be eventually transferred to the US. Cuban interest would probably center on spare parts, foodstuffs (particularly grain), transportation and agricultural equipment, computers, other capital goods including whole plants, and some consumer goods. In return, Havana could sell sugar, nickel, tobacco and tobacco products, and shellfish to the US. After meeting its obligations to the communist markets, it has been selling about 2 million tons of sugar on the free market annually, of which up to half—worth about \$350 million at current world prices—could ultimately be made available for export to the US. Production of nickel, tobacco, and shellfish probably will be sufficient during the next few years to permit exports of these items to the US totaling approximately \$50 million per annum.

Compensation

39. The principal elements in the Cuban leadership recognize that in the US the "blockade" issue is linked historically, legally, and politically with demands for compensation for properties seized by the Revolution. We believe that they take generally divergent views, nevertheless, which are consistent with their perspectives on how much the regime should compromise in order to achieve a rapprochement with the US. Hardliners probably are pressing Castro to remain committed to the position he took repeatedly until a year or so ago, when he ruled out any possibility of providing compensation while demanding "indemnification" for damages caused by the US economic denial program. The Rodriguez group is more flexible and apparently believes that US demands for compensation can be satisfied in a manner acceptable to both sides.

OUTLOOK FOR US-CUBA RELATIONS

40. In assessing the prospects for the normalization of relations with the US, Castro has probably concluded that he enjoys some distinct advantages. Changes within Cuba since 1970, which might have been expected to weaken him, have in fact strengthened his position. As the undisputed head of a united leadership, he is in a position to balance divergent views while preserving his own maneuverability. He appears to believe that the US is on the defensive, that international pressures on the US to accommodate him are increasing, and that US public opinion is shifting gradually but decisively in his favor.

41. Although Castro has unmistakably signaled his willingness to begin a dialogue with the US, we believe that he does not have a concrete timetable or program and that a number of considerations probably tempt him to protract the process. He is under no great pressure to proceed toward normalization and can do some hard and lengthy bargaining from the position of strength he now enjoys. He probably calculates that with the passage of time, pressures on the US to accommodate him will continue to grow. He may also believe that he can improve his bargaining position and get a better settlement with a new US administration.

42. We estimate, nonetheless, that Castro is prepared to enter into negotiations now. He would probably do so without precondition if the talks were of a preliminary and exploratory nature, and were held in secret. We believe that he would not enter into substantive talks on the issues without securing some US concession to his long-standing condition that the "blockade" be terminated unilaterally. In this regard, Castro has already publicly stated that the recent US relaxation on trade with Cuba by subsidiaries of US companies in third countries was a positive gesture, but that in essence the "blockade" was still in force. There is a better than even chance, however, that a partial reduction in the scope of the embargo on US trade with Cuba, e.g., allowing the sale of food and medicine and possibly certain industrial goods and spare parts as well, would be sufficient to induce Castro to negotiate on the issues. He would, of course, expect that one consequence of the nego-

tiations would be the complete lifting of the "blockade," and he may believe that the conduct of negotiations would itself further improve the prospect for trade. He may prefer a more elaborate face-saving device, however, and propose that the US and Cuba engage in secret talks to conclude conceptual agreements on some of the major issues. He may reason that in this manner Cuba could secretly make concessions in advance of formal talks in exchange for the lifting of the embargo as an apparently unilateral move.

43. Castro will be strongly impelled by a desire to establish the legitimacy and permanency of his regime. He would view an agreement to hold talks as serving this purpose and would consider resumption of relations with the US as putting the final stamp of legitimacy on the Cuban Revolution. Thus, as he maneuvers toward negotiations, and during any talks that might ensue, his actions will be motivated by a desire to strengthen an appearance of a Cuba triumphing over "imperialism." He is likely to oppose any negotiating scenario, or concessions, which appear inconsistent with this strategy.

44. Castro will exercise broad personal authority over the conduct of the negotiations and the formulation of Cuban positions. He is likely to try to seize and maintain the initiative, and to indulge his penchant for public dramatics to advance Cuban positions. He will probably try to generate pressure on the US executive through appeals to legislative and public opinion and by using domestic and international media. He is also certain to seek expressions of support from other countries, much as General Torrijos has done with respect to the Panama Canal negotiations. In Latin America, he will probably solicit and receive such support from a number of countries on issues related to Cuban sovereignty, such as the return of Guantanamo and an end to US overflights. Conversely, he will be quite sensitive to reactions in Latin America and other Third World countries to what he does prior to and during any talks.

45. Castro is prepared to negotiate on the issue of paying compensation for expropriated US properties. Cuba has publicly recognized the principle of compensation, and Castro almost certainly understands that little progress can be made on other

issues, particularly the embargo, without Cuban concessions on compensation. Therefore, he probably will agree to pay a small percentage of US claims after a great deal of hard bargaining. We have no basis for estimating how much of the \$1.8 billion in claims certified by the US Foreign Claims Commission Cuba would be willing to satisfy. In arriving at a figure, Castro will be influenced by the settlements the US reached in Eastern Europe and Peru. He can be expected to advance counter-claims for damages he alleges the US inflicted on Cuba as a result of the embargo, the Bay of Pigs, exile raids, and similar activities, in order to reduce the amount he would ultimately have to pay. Castro will not agree to any settlement that would put serious strains on the Cuban economy.

46. Despite the strong public statements of its leaders, we believe that there is some flexibility in Cuba's position on Puerto Rico. In late 1972 and early 1973, Cuban Ambassador Alarcon sharply reduced his efforts and rhetoric at the UN aimed at highlighting the issue of the island's status, in order to avoid upsetting the talks then underway between the US and Cuba on airplane hijackings. We believe that Cuba would follow a similar pattern in connection with any future negotiations with the US. Castro reportedly is under pressure from Moscow to reduce the intensity of Cuban propaganda about Puerto Rico in order to facilitate detente with the US, and to support the Puerto Rican Communist Party instead of the more active Socialists. Many of his principal advisers, in addition, probably echo that line, and some reportedly are chagrined that the issue has intruded into the process of normalizing relations with the US.

47. If the subject is raised, we estimate that Havana will initially insist that its support for Puerto Rican independence is nonnegotiable. We believe, however, that to achieve its more important objectives in the normalization of relations with the US, it would ultimately agree to curtail—but not drop entirely—its pro-independence propaganda and its activities at international forums. Cuban negotiators probably would seek US concessions in return for any they make regarding Puerto Rico. Their future support for Puerto Rican independence would probably be increasingly through international front organizations.

48. Castro will be less conciliatory on issues related to Cuban sovereignty. He will demand a definite commitment by the US to relinquish the naval base at Guantanamo Bay as part of any negotiated settlement. His public statements suggest that he would be content to establish a timetable for US withdrawal rather than insist on immediate and total evacuation. He views Guantanamo as a much less important issue in the US than the Panama Canal, nevertheless, and probably will press for complete reversion of the base area to Cuba within a fairly short period of time. In order to achieve this objective he might be willing to provide some form of assurance that Guantanamo Bay would not be made available to the military forces of any foreign nation.²

49. It is highly unlikely that Castro would renounce the right to support "wars of national liberation" as part of any agreement with the United States. Cuba's draft constitution recognizes such "wars" as legitimate and describes Cuban aid for them as its "right and international obligation." Castro would probably agree, however, to a statement by both parties declaring their adherence to the principle of nonintervention in the internal affairs of other countries.

50. Havana is likely to insist that its relationship with the USSR is nonnegotiable. Cuba's political, economic, and military ties with Moscow are so extensive and vital in the regime's planning for the foreseeable future that there is little room for compromise. Castro might agree to reduce the number of Soviet military advisers in Cuba by several hundred at most, but he is more likely to emphasize that they are engaged in routine roles assisting the Cuban military to maintain its defensive capabilities.

² The Defense Intelligence Agency, the Acting Assistant Chief of Staff for Intelligence, Department of the Army, the Director of Naval Intelligence, Department of the Navy, and the Assistant Chief of Staff, Intelligence, Department of the Air Force, believe that Castro would consider any open-ended restriction on the future use of Guantanamo Bay as an infringement on Cuban sovereignty.

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ties. He probably would refuse to negotiate about current use of Cuban air and port facilities by Soviet military units.

51. Castro is not likely to compromise his broader foreign policy objectives in the communist world or in Latin America and the rest of the Third World simply to settle bilateral problems with the US. On the contrary, he hopes that rapprochement will enable him to pursue an even more energetic foreign policy and enhance his prestige as a leading Third World statesman. Castro is likely to maintain high-level and regular consultations with Soviet leaders as the process of rapprochement with the US proceeds. He will do so both to reassure Moscow that he is not compromising any Soviet interests and to seek guidance in formulating Cuban negotiating positions and tactics.

52. Even with the assistance of Soviet experts in US affairs, however, Havana is likely to formulate positions that are based on distorted perceptions.

delete [redacted] but many in the Cuban leadership remain surprisingly naive about the complexity of US political dynamics. Castro's interest in the

constitutional separation of powers in the US grew as the Watergate scandals unfolded and as Congress has assumed a more active foreign policy role, but his interpretation of these developments appears to lead him to overestimate the role of individual legislators and newspeople in influencing US foreign policy. This, and his exaggerated view of Cuba's strengths and influence relative to those of the US, could lead him to take extreme and overly optimistic positions in any future negotiations.

53. Castro probably has few illusions about the possibilities of achieving a speedy normalization of relations with the US. He can be expected to move forward progressively and to remain committed in principle to normalization but he will calculate each move according to his readings of a variety of international circumstances. He has entered into the diplomatic gamesmanship of detente, in addition, in the longer-term search for opportunities unavailable now and because he values the chance once again to strut conspicuously on the world stage. Because he fully appreciates the complexity and difficulty of his act, Castro will proceed slowly and cautiously toward reconciliation with the US while energetically pursuing other foreign policy objectives.

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ANNEX

THE CUBAN ECONOMY

The Current Situation

1. Cuba's economic situation brightened considerably in 1974 as a result of record world sugar prices and fundamental economic policy changes underway since 1970. Real GNP rose about 5 percent, but part of the increase reflected the recovery from poor sugar crops and lagging industrial output in 1972 and 1973. Cuba's GNP at the end of 1974 is roughly estimated at \$6.1 billion or \$665 per capita.

2. Sugar production and construction accounted for most of the economy's improvement. Sugar output increased to about 6 million tons, up 13 percent over 1973 and one third above the drought-ridden 1972 harvest. The return of normal weather played a major role in the upturn, as did ongoing efforts at rationalization and mechanization which permitted an increase in labor productivity.

3. Construction activity rose an estimated 10 percent in 1974, reflecting Havana's heavy investment program. Expansion of infrastructure, particularly in the rural areas, accounted for much of the growth. Industrial construction continued strong, however, and the beleaguered housing industry, which has been receiving increased attention in recent years, registered a slight gain.

4. The non-sugar sectors of both agriculture and industry lagged behind the economy's general growth. Except for a 7 percent increase in the fishing sector, growth of non-sugar agriculture was hampered by inadequate rainfall during most of the year. The production of refined petroleum products and electric power rose significantly, but light industry achieved only a modest increase. Output in mining and building materials stagnated.

5. Improved management and the greater availability of foreign exchange were important factors

in Cuba's stronger economic performance. Since 1970 Havana has been implementing a number of measures of rationalization, including more orthodox planning and cost accounting procedures, the greater use of material incentives to encourage worker productivity, and the strict enforcement of anti-vagrancy laws to reduce worker absenteeism. In addition, progressive mechanization of the sugar harvest has reduced the disruptive use of "volunteer" cane cutters from other sectors of the economy.

6. Improved import capacity was due primarily to an unprecedented rise in sugar prices and to larger sugar shipments. Total export earnings soared to \$2.7 billion—double the 1973 level. Imports also rose steeply, but not as much as exports, and Cuba achieved its first trade surplus since Castro took power in 1959.

7. In 1974 sugar dominated exports more than ever, accounting for about 90 percent of the total. Nickel, shellfish, citrus, and tobacco accounted for the remaining 10 percent. Capital goods and transportation equipment continued to be the leading imports, but there were increases in imports of petroleum, foodstuffs, construction materials, and other intermediate goods during the year as well.

8. High world sugar prices and the strengthening domestic economy enabled Havana to expand its commercial ties with non-Communist countries. These countries accounted for about 40 percent of total Cuban trade in 1974 (compared with an average of 32 percent in 1971-73) and yielded a trade surplus of about \$400 million. Eager to exploit the expanding Cuban market, Argentina, Spain, the UK, France, and Canada have extended some \$3.2 billion in long-term commercial credits in the last two years—most of which have yet to be drawn.

9. Nevertheless, Havana remained closely tied to the USSR and, to a lesser extent, the other com-

munist countries. The USSR accounted for about two fifths of total Cuban trade in 1974, and it provided virtually all of Cuba's petroleum and a major share of its imports of capital goods and foodstuffs. Cuba continued to run a deficit with the USSR. Soviet aid totaled \$650 million, including some \$275 million in balance-of-payments assistance and development credits and about \$375 million in subsidized petroleum prices. Other communist countries accounted for about one fifth of Cuba's trade, but provided little financial assistance.

Outlook for the Economy

10. The Cuban economy probably will continue to grow slowly over the next couple of years. Continued Soviet assistance and credits from non-communist countries will enable Havana to maintain a high rate of investment, and the Castro regime is not likely to interrupt the economy's momentum by shifting its game plan as it was prone to do in the past. Growth will be considerably below the 6-9 percent annual target set out in Cuba's first Five Year Plan for 1976-80, however.

11. Sugar production in 1975 and 1976 probably will stagnate in the 5.5-6.0 million tons range, because of adverse weather and delayed plantings. Assuming the return of normal weather, output in 1977 should rise to 6.0-6.5 million tons as a result of continued modernization of the industry. Other sectors should continue to grow steadily as the investment program continues to develop both

infrastructure and industry. Cuba's first Five Year Plan to begin next year reportedly calls for investment of \$15 billion over the 1976-80 period, but it is far from certain that this figure will be achieved.

12. In 1975 Cuba's trade balance will show a smaller surplus than in 1974 and will fall back into deficit in subsequent years. After rising in 1975 as a result of a 50 percent increase in the price paid by the USSR for Cuban sugar, exports probably will stagnate and possibly decline in 1976 and 1977, primarily because of lower world sugar prices. Non-sugar exports will rise slightly during this period, but major gains are not expected until after 1980 when large expansion projects in the nickel industry are scheduled to be completed. Imports, on the other hand, are expected to jump sharply in 1975 and continue to grow in the following two years (see the table below). Because earnings from tourism and shipping will offset only part of the projected trade deficits, Cuba will again have to rely on capital inflows from communist and non-communist sources, in the form of trade and development aid, to cover the expected current account deficits.

13. Despite the projected economic improvement, we believe there is little likelihood that Cuba will become a consumer society during this decade. The accent on investment allows little room for significant increase in consumption during the next several years. While some consumer items, particularly luxury goods, will probably be made avail-

Cuba: Foreign Trade

Million US\$

	1958	1971	1972	1973	1974	1975	1976	1977
Total Exports (f.o.b.).....	742	860	837	1,380	2,745	3,090	2,950	3,075
Communist Countries.....	18	555	446	880	1,485	2,040	2,075	2,090
USSR.....	14	304	244	565	935	1,700	1,715	1,715
Eastern Europe.....	Negl.	160	137	210	375	265	285	300
Far East.....	4	91	65	105	175	75	75	75
Non-Communist Countries.....	724	305	391	500	1,260	1,050	875	985
Total Imports (c.i.f.).....	860	1,387	1,297	1,700	2,450	2,905	3,100	3,300
Communist Countries.....	2	969	996	1,225	1,600	1,905	2,050	2,200
USSR.....	Negl.	731	778	950	1,175	1,500	1,650	1,800
Eastern Europe.....	2	143	126	150	225	330	325	325
Far East.....	Negl.	95	92	125	200	75	75	75
Non-Communist Countries.....	858	418	301	475	850	1,000	1,050	1,100

able in greater quantities, most basic items will continue to be strictly rationed and the Cuban lifestyle will remain Spartan by Western standards.

Cuba-USSR Economic Relations

14. The Cuban economy remains closely tied to the USSR. Moscow is Havana's most important trading partner, providing not only virtually all of Cuba's petroleum needs, but also a major share of its capital goods and foodstuffs. During 1961-74 Cuba utilized some \$4.4 billion in Soviet development and balance-of-payments assistance to bolster its lagging import capacity. In addition, it received some \$800 million in sugar subsidy payments and an estimated \$375 million in petroleum subsidies following the rise in world oil prices in 1974. In 1972 Moscow formally recognized Cuba's inability to repay its debt and agreed to postpone amortization and interest until 1986 with repayment to stretch out over 25 years.

15. On the domestic scene, Soviet influence in economic matters has increased sharply since the disastrous 1969-70 drive to produce 10 million tons of sugar. Moscow has exerted strong pressures on Havana to implement more orthodox planning procedures and to improve economic management. It has also urged greater reliance on the pricing mechanism and material incentives, thus chipping away at some of the basic tenets of the Cuban revolution. To help implement measures of this kind, the number of Soviet technical advisers in Cuba has been greatly increased.

16. The USSR will remain Cuba's most important trading partner over the next few years and will play a major role in the execution of Cuba's Five Year Plan beginning in 1976. Under the recently signed Protocol for Coordination of National Economic Plans, Moscow reaffirmed its commitment to underwrite the development of the Cuban economy. It will provide assistance to all important branches of the economy and increased supplies of oil. Indirect support in the form of sugar and petroleum subsidies will almost certainly remain substantial. In addition, Moscow will continue to extend significant amounts of development aid both unilaterally and in conjunction with other CEMA members.

17. Termination of Soviet assistance would require a drastic cutback in Cuban imports and cause the economy to stagnate or decline. If Soviet sugar subsidies were halted, exports would decline some \$450 million in 1975 and perhaps as much as \$690 million in 1976. The termination of subsidized oil prices would add some \$200 million annually to Cuba's import bill if it attempted to maintain the current volume of purchases abroad.

Prospects for Cuba-US Trade

18. The prospects for Cuban-US bilateral trade, if the US embargo is lifted, are modest at best, and such trade will not return to its pre-Revolutionary levels. Even though the geographical proximity and complementarity of the two economies make them natural trading partners, Cuba is closely aligned with the USSR and other communist countries and for both ideological and economic reasons would not reduce these ties to any significant degree. The potential for US-Cuban trade is further inhibited by Cuba's limited hard-currency earnings and by strong competition for sales in Cuba by other major industrial non-communist countries. Finally, trade would not benefit from direct US investment in Cuba as it did in the period before the Revolution.

19. Nevertheless, Cuba would provide a modest market for US goods and technology. Cuban officials reportedly retain an affinity for US know-how and are not unaware of the potential savings in transportation costs in shifting to the US market. Given the availability of normal commercial credits, we believe that between one-quarter and one half of Cuban imports from the non-communist world, which will total an estimated \$1 billion in 1975, could eventually originate in the US. Because of Cuba's emphasis on investment for economic growth, Havana would be primarily interested in technology and all kinds of capital goods, as well as in replacement parts for US machinery and equipment already in Cuba. It would also probably seek some foodstuffs, principally rice.

20. In return, Havana could sell to the United States sugar, tobacco and tobacco products, nickel, and shellfish. After meeting its annual obligations to the communist markets, Havana has about 2

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million tons of sugar available for sale on the world free market. Of this amount, we believe that Cuba would initially be willing to send up to 500,000 tons—worth about \$175 million at current world prices—to the United States. Sales of non-sugar items could bring total Cuban sales to the US to about \$200 million initially. Over the longer run, Cuban sugar sales to the US could rise to some 1 million tons annually, but Havana will avoid its former dependence on the US market.

21. Renewed trade with the US is not likely to have a significant impact on Cuban economic growth. The US embargo has lost much of its effect over time as Cuba has secured alternative

markets and sources of supply. The impact on the vital agricultural sector, for example, would be marginal. Moreover, any Cuban trade with the US would largely reflect a shift in Cuban sales and purchases from other non-communist countries and would not lead to a significant increase in Cuba's capacity to import. Nevertheless, access to US-made spare parts and high-quality US goods and technology would ease Cuba's remaining maintenance problems and provide some initial boost to economic activity in certain sectors. The renewal of trade would also result in some savings in transportation and would provide a sound base for expansion of the Cuban tourist industry.

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